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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS

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OCT 16 2006

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES
BARRY WONG

AZ CORP COMMISSION
DOCUMENT CONTROL

DOCKETED BY

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IN THE MATTER OF THE APPLICATION OF
ARIZONA WATER COMPANY, AN ARIZONA
CORPORATION, FOR ADJUSTMENTS TO ITS
RATES AND CHARGES FOR UTILITY SERVICE
FURNISHED BY ITS EASTERN GROUP AND
FOR CERTAIN RELATED APPROVALS.

DOCKET NO. W-01445A-02-0619

PROCEDURAL ORDER

BY THE COMMISSION:

On March 19, 2004, the Arizona Corporation Commission ("Commission") issued Decision No. 66849 in the above-captioned matter filed by Arizona Water Company ("Company"). Decision No. 66849 approved an Arsenic Cost Recovery Mechanism ("ACRM") for the Company's Eastern Group that is the same as the ACRM approved for the systems in its Northern and Western Groups,¹ in order to allow the Company to recover capital costs and certain recoverable operations and maintenance ("O&M") costs directly related to the construction and continued operation of facilities required to comply with the United States Environmental Protection Agency's new maximum contaminant level of 10 parts per billion for arsenic. Decision No. 66849 ordered the Company to file a rate case no later than September 30, 2007.

On June 20, 2006, the Company filed in this docket a Request for Alteration or Amendment of Rate Filing Requirements. Therein, the Company requested that the Commission alter or amend the Company-wide rate case filing requirements by 1) changing the filing date for the total Company rate case, upon which the ACRM was conditioned, from September 30, 2007 to September 30, 2008; 2) changing the required test year to 2007 instead of 2006; and 3) allowing arsenic treatment O&M costs recoverable under the ACRM to be deferred through 2007, instead of through 2006. The Company states that the basis for its request is a material change in the Arizona Department of Environmental Quality ("ADEQ") Arsenic Compliance Policy. The Company states that it will

¹ Decision Nos. 66400 (October 14, 2003) and 68302 (November 14, 2005), respectively.

1 actually incur the first full year of arsenic treatment costs in 2007 instead of 2006 as contemplated by
2 the ACRM.

3 On August 21, 2006, the Commission's Utilities Division Staff ("Staff") filed a Staff Report
4 on the Company's request, and filed an addendum to the Staff Report on September 8, 2006. Staff
5 recommends approval of the Company's request.

6 Parties to this case should be allowed an opportunity to file comments or request that a
7 hearing be held on the Company's June 20, 2006 filing.

8 IT IS THEREFORE ORDERED that intervenors in this docket who wish to file comments or
9 request that a hearing be held on Arizona Water Company's June 20, 2006 filing shall file such
10 comments or request no later than October 25, 2006.

11 Dated this 16th day of October, 2006



12
13 DWIGHT D. NODES
14 ASSISTANT CHIEF ADMINISTRATIVE LAW JUDGE

15 Copies of the foregoing mailed/delivered
16 this 16th day of October, 2006 to:

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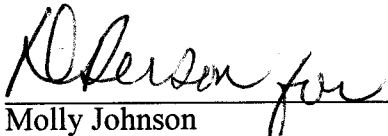
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